

1 The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as set forth
2 in the Statement of Charges.

3 The Securities Administrator makes the following findings of fact and conclusions of law:

4
5 **FINDINGS OF FACT**

6 **I.**

7 **RESPONDENTS**

8 1. LEE DOUGLAS TUSBERG ("TUSBERG") was registered with the State of Washington as a
9 securities salesperson and affiliated with KMS Financial Services, Inc. ("KMS") in May 1994 until his termination in
10 February 2000. Tusberg was also registered with the State of Washington as a securities salesperson for Metropolitan
11 Investment Securities, Inc. from February 1982 through May 1994. Tusberg also held a license as an insurance
12 salesperson, which expired without renewal in February 2000. Tusberg is an officer and/or director of Trans-Link
13 Research & Development Group, Inc. Tusberg resides at 5224 South Park Lane, Spokane, Washington.

14 2. TRANS-LINK RESEARCH & DEVELOPMENT GROUP, INC. ("TRD") was incorporated under the
15 laws of the State of Washington on April 18, 1996. TRD has not been registered to conduct business in Washington
16 since November 4, 1996, when it was administratively dissolved for failure to file an initial list of officers/directors.
17 TRD's principal place was 421 West Riverside, Suite 760, Spokane, Washington, the same address at which Tusberg,
18 at that time, conducted securities salesperson activities for KMS. TRD's current principal place of business is South
19 104 Freya, Suite 227A, Spokane, Washington, which is also the same address at which Tusberg conducted securities
20 salesperson activities for KMS.

21 **II.**

22 **NATURE OF OFFERS AND SALES**

23 Beginning at least in February 1996 and continuing through at least February 2000, Tusberg induced at least 30
24 people to invest more than \$1,030,000 in TRD while he was employed as a securities salesperson at KMS, a
25 Washington registered broker-dealer. Approximately 10 of the 30 investors are Washington residents.

1 The type of investment Tusberg sold to investors was generally a convertible promissory note, which generally
2 carried between 12% and 14% annual interest payable upon maturity, which was between 2 years and 5 years.
3 Tusberg represented to some investors that the accumulated interest was tax-deferred until maturity. Tusberg did not
4 disclose to investors the basis for that claim. The promissory notes were convertible to TRD common stock at the
5 noteholder's option. However, the terms of this conversion were not detailed. Tusberg provided some investors
6 statements of account summarizing the terms of their investment in TRD. However, Tusberg failed to adequately
7 describe to some investors the type of investment he was selling to them. Some investors have not been repaid even
8 though their promissory notes have matured.

9 Tusberg failed to disclose to many investors the nature of TRD's business. Tusberg did represent to some
10 investors that TRD facilitated United States business relationships with China and that TRD had connections in China.
11 Tusberg represented to some investors that TRD was a phone service company and to other investors that TRD loaned
12 money to small businesses. Tusberg told some investors that he was the president or treasurer of TRD. However,
13 Tusberg failed to disclose to other investors that Tusberg had a controlling interest in TRD or was an officer and/or
14 director of TRD. Tusberg also failed to provide investors with any offering materials, financial statements, disclosure
15 of the risks of the investment, such as the identity and background of the officers and directors and agents and
16 promoters of TRD, the total amount of funds being raised and the use of investor proceeds, and the fact that TRD had
17 been administratively dissolved as a corporation since November 4, 1996.

18 Most of the investors were also Tusberg's clients at KMS. However, Tusberg sold the TRD investments to his
19 clients without regard to whether the investments were suitable for each client based upon their investment objectives,
20 age, and financial situation and needs. Many of the investors' investment objectives were conservative, such as
21 retirement, tax shelter, income, and growth. Some investors lacked the knowledge and experience necessary to
22 evaluate the risks associated with the TRD investments. Some investors liquidated annuities and mutual funds in order
23 to invest in TRD based upon Tusberg's recommendation. Investors knew little or nothing about TRD but trusted
24 Tusberg to recommend investments that were in their best interest.

1 Tusberg was required to obtain written authorization from KMS prior to effecting securities transactions that
2 were not approved by or recorded on the books and records of KMS. Tusberg failed to disclose to investors that the
3 investments were not approved by KMS and that Tusberg's sales of the investments were not recorded on the books
4 and records of KMS.

5 Based upon the above Findings of Fact, the following Conclusions of Law are made:

6 **CONCLUSIONS OF LAW**

7 **I.**

8 The offer and sale of the investments described in paragraphs I and II of the Findings of Fact constitutes the
9 offer and sale of a security as defined by RCW 21.20.005(10) and (12), to wit: investment contract, notes, bonds,
10 evidence of indebtedness, and warrants.

11 **II.**

12 The offer and sale of the securities described in paragraphs I and II the Findings of Fact is in violation of RCW
13 21.20.140 because no registration for such offer and sale is on file with the Administrator of Securities, State of
14 Washington.

15 **III.**

16 The offer and sale of the securities described in paragraphs I and II of the Findings of Fact was made in
17 violation of RCW 21.20.010 because, in connection with these offers and sales, Tusberg and TRD made untrue
18 statements of material facts and omitted to state materials facts necessary in order to make the statements made, in
19 light of the circumstances under which they were made, not misleading.

20 **IV.**

21 Tusberg has engaged in dishonest and unethical practices in securities set forth in RCW 21.20.110(1)(g) and
22 WAC 460-22B-090(2) promulgated thereunder, as described in paragraphs I and II of the Findings of Fact, by
23 effecting securities transactions not recorded on the regular books and records of the broker-dealer which Tusberg

1 represented. These dishonest and unethical practices justify the suspension, revocation, and denial of Tusberg's
2 registration as a securities salesperson, broker-dealer, investment adviser, and investment adviser representative.

3 **V.**

4 Tusberg has engaged in dishonest and unethical practices in securities set forth in RCW 21.20.110(1)(g) and
5 WAC 460-22B-090(7) promulgated thereunder, as described in paragraphs I and II of the Findings of Fact, by
6 recommending to a customer the purchase, sale or exchange of any security without reasonable grounds to believe that
7 such transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the
8 customer's investment objectives, financial situation and needs, and any other relevant information known by Tusberg.
9 These dishonest and unethical practices justify the suspension, revocation, and denial of Tusberg's registration as a
10 securities salesperson, broker-dealer, investment adviser, and investment adviser representative.

11 Based upon the above Findings of Fact and Conclusions of Law it is hereby

12 **ORDERED** that Lee Douglas Tusberg and Trans-Link Research & Development Group, Inc. and their agents,
13 employees, and representatives, shall each cease and desist from offering and selling securities in any manner in
14 violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration of securities.

15 **IT IS FURTHER ORDERED** that Lee Douglas Tusberg and Trans-Link Research & Development Group,
16 Inc. and their agents, employees, and representatives, shall each cease and desist from offering and selling securities in
17 any manner in violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

18 **IT IS FURTHER ORDERED** that Lee Douglas Tusberg shall cease and desist from effecting securities
19 transactions in violation of RCW 21.20.110(1)(g) and WAC 460-22B-090(2), the dishonest and unethical practices in
20 the securities business section of the Securities Act and the selling away section of the rules.

21 **IT IS FURTHER ORDERED** that Lee Douglas Tusberg shall cease and desist from recommending to a
22 customer the purchase, sale or exchange of any security in violation of RCW 21.20.110(1)(g) and WAC 460-22B-
23 090(7), the dishonest and unethical practices in the securities business section of the Securities Act and the suitability
24 section of the rules.

